

**DEPARTMENT OF TRANSPORTATION****AUDITS AND INVESTIGATIONS**

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September 12, 2008

Kathryn Mathews, Executive Director  
El Dorado County Transportation Commission  
2828 Easy Street, Suite 1  
Placerville, CA 95667

Re: El Dorado County Transportation Commission  
Audit of Indirect Cost Allocation Proposal FY 2008/09  
File No: P1190-0698

Dear Ms. Mathews:

We have audited the El Dorado County Transportation Commission (EDCTC)'s Indirect Cost Allocation Plan (ICAP) for the fiscal year ended June 30, 2009 to determine whether the ICAP is presented in accordance with Title 2, Part 225 of the Code of Federal Regulations (2 CFR 225 – formerly the Office of Management and Budget (OMB) Circular A-87) and the Department of Transportation (Department)'s Local Programs Procedures (LPP) 04-10. The EDCTC management is responsible for the fair presentation of the ICAP. The EDCTC proposed an indirect cost rate of 18.36% of total direct salaries and wages plus fringe benefits.

Our audit was conducted in accordance with the Standards for Performance Audits set forth in the *Government Auditing Standards* issued by the Comptroller General of the United States of America. The audit was less in scope than an audit performed for the purpose of expressing an opinion on the financial statements of the EDCTC. Therefore, we did not audit and are not expressing an opinion on the EDCTC's financial statements.

The standards require that we plan and perform the audit to obtain reasonable assurance about whether the data and records reviewed are free of material misstatement, as well as material noncompliance with fiscal provisions relative to the ICAP. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the data and records reviewed. An audit also includes assessing the accounting principles used and significant estimates made by the EDCTC, as well as evaluating the overall presentation.

The accompanying ICAP was prepared on a basis of accounting practices prescribed in 2 CFR 225 and the Department's LPP 04-10, and is not intended to present the results of operations of the EDCTC in conformity with generally accepted accounting principles.

The scope of the audit was limited to select financial and compliance activities. The audit consisted of a recalculation of the ICAP, a limited review of the overall work program, a review of the EDCTC's independent audit report for the fiscal year ended June 30, 2007, inquiries of EDCTC personnel, reliance placed on the financial audit report for the fiscal year ended June 30, 2007 and prior audit field work performed by the Department in April 2004. We believe that our audit provides a reasonable basis for our conclusion.

Because of inherent limitations in any financial management system, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the financial management system to future periods are subject to the risk that the financial management system may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

## AUDIT RESULTS

Based on audit work performed, the EDCTC's ICAP for the fiscal year ended June 30, 2009 is presented in accordance with 2 CFR 225 and LPP 04-10. The approved indirect cost rate is 18.36% of total direct salaries and wages, plus fringe benefits. The approval is based on the understanding that a carry-forward provision applies and no adjustment will be made to previously approved rates.

This report is intended solely for the information of the EDCTC, Department Management, the California Transportation Commission and the Federal Highway Administration (FHWA). However, this report is a matter of public record and its distribution is not limited.

Please retain the approved Indirect Cost Allocation Plan for your files. Copies were sent to the Department's District 3, the Department's Division of Accounting and the FHWA. If you have any questions, please contact Barbara Nolan, Auditor, at 916-323-7880 or Amada Maenpaa, Audit Supervisor, at 916-323-7868.

  
MARYANN CAMPBELL-SMITH  
Chief, External Audits

- c: Ben J. Bramer, District 3  
Gary Buckhammer, HQ Accounting  
Brenda Bryant, FHWA  
Sue Kiser, FHWA  
Andrew Knapp, HQ Planning  
Tyler Monson, District 3 ORIP

## **El Dorado County Transportation Commission Indirect Cost Plan – FY 2008/2009**

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The indirect cost rate contained herein is for use on grants, contracts and other agreements with the Federal Government and California Department of Transportation (Caltrans), subject to the conditions in Section II. This plan was prepared by the El Dorado County Transportation Commission and approved by Caltrans.

### **SECTION I: Rates**

<b><u>Rate Type</u></b>	<b><u>Effective Period</u></b>	<b><u>Rate *</u></b>	<b><u>Applicable to</u></b>
Fixed with carry forward	7/1/08 - 6/30/09	18.36%	All programs

\* Base: Total Direct Salaries and Wages plus fringe benefits

### **SECTION II: General Provisions**

#### **A. Limitations**

The rates in this Agreement are subject to any statutory or administrative limitations and apply to a given grant, contract, or other agreement only to the extent that funds are available. Acceptance of the rates is subject to the following conditions: (1) Only costs incurred by the organization were included in its indirect cost pool as finally accepted: such costs are legal obligations of the organization and are allowable under the governing cost principles; (2) The same costs that have been treated as indirect costs are not claimed as direct costs; (3) Similar types of costs have been accorded consistent accounting treatment; and (4) The information provided by the organization which was used to establish the rates is not found to be materially incomplete or inaccurate by the Federal Government or Caltrans. In such situations the rate(s) would be subject to renegotiation at the discretion of the Federal Government or Caltrans; (5) Prior actual costs used in the calculation of the approved rate are contained in the grantee's Single Audit which was prepared in accordance with OMB Circular A-133. If a Single Audit is not required to be performed, then audited financial statements should be used to support the prior actual costs; and, (6) The estimated costs used in the calculation of the approved rate are from the grantee's approved budget in effect at the time of approval of this plan.

#### **B. Accounting Changes:**

This Agreement is based on the accounting system purported by the organization to be in effect during the Agreement period. Changes to the method of accounting for costs which affect the amount of reimbursement resulting from the use of this Agreement require prior approval of the authorized representative of the cognizant agency. Such changes include, but are not limited to, changes in the charging of a particular type of cost from indirect to direct. Failure to obtain approval may result in cost disallowances.

#### **C. Fixed Rate with Carry Forward:**

The fixed rate used in this Agreement is based on an estimate of the costs for the period covered by the rate. When the actual costs for this period are determined—either by the grantee's Single Audit or if a Single Audit is not required, then by the grantee's audited financial statements—any differences between the application of the fixed rate and actual costs will result in an over or under recovery of costs. The over or under recovery will be carried forward, as an adjustment to the calculation of the indirect cost rate, to the second fiscal year subsequent to the fiscal year covered by this plan.

**EDCTC Indirect Cost Plan**  
FY 2008/2009  
Page Two

**D. Audit Adjustments:**

Immaterial adjustments resulting from the audit of information contained in this plan shall be compensated for in the subsequent indirect cost plan approved after the date of the audit adjustment. Material audit adjustments will require reimbursement from the grantee.

**E. Use by Other Federal Agencies**

Authority to approve this agreement by Caltrans has been delegated by the Federal Highway Administration, California Division. The purpose of this approval is to permit subject local government to bill indirect costs to Title 23 funded projects administered by the Federal Department of Transportation (DOT). This approval does not apply to any grants, contracts, projects, or programs for which DOT is not cognizant Federal agency.

The approval will also be used by Caltrans in State-only funded projects.

**F. Other:**

If any Federal contract, grant, or other agreement is reimbursing indirect costs by a means other than the approved rate(s) in this Agreement, the organization should (1) credit such costs to the affected programs, and (2) apply the approved rate(s) to the appropriate base to identify the proper amount of indirect costs allocable to these programs.

**G. Rate Calculation:**

The indirect cost rate of 18.36% for fiscal year 2008/2009 is calculated as follows:

FY 2008/2009 Budgeted Indirect Costs	\$ 154,258
Carry Forward from FY 2006/2007	<u>(\$ 24,159)</u>
Estimated FY 2008/2009 Indirect Costs	\$ 130,099
FY 2008/2009 Budgeted Direct Salaries and Wages plus fringe benefits	\$ 708,601
FY 2008/2009 Indirect Cost Rate	18.36%


## CERTIFICATION OF INDIRECT COSTS

This is to certify that I have reviewed the indirect cost rate proposal submitted herewith and to the best of my knowledge and belief:

- (1) All costs included in this proposal to establish billing or final indirect cost rates for fiscal year 2008/2009 (July 1, 2008 to June 30, 2009) are allowable in accordance with the requirements of the Federal and State award(s) to which they apply and OMB Circular A-87, "Cost Principles for State, Local, and Indian Tribal Governments." Unallowable costs have been adjusted for in allocating costs as indicated in the cost allocation plan.
- (2) All costs included in this proposal are properly allocable to Federal and State awards on the basis of a beneficial and causal relationship between the expenses incurred and the agreements to which they are allocated in accordance with the applicable requirements. Further, the same costs that have been treated as indirect costs have not been claimed as direct costs. Similar types of costs have been accounted for consistently and the Federal Government and Caltrans will be notified of any accounting changes that would affect the fixed rate.

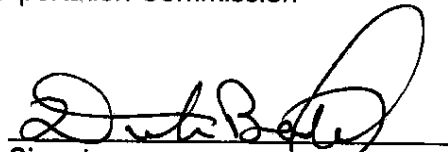
I declare that the foregoing is true and correct.

Governmental Unit: El Dorado County Transportation Commission

  
Signature

Reviewed, Approved and Submitted by:

Kathryn F. Mathews, AICP  
Executive Director  
Date:

  
Signature

Prepared by:

Dustin T. Bailey,  
Administrative Services Officer  
Telephone: 530-642-5264

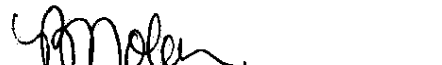
## INDIRECT COST RATE APPROVAL

The State DOT has reviewed the indirect cost plan and hereby approved the plan.

  
Signature (Chief, External Audits)

Reviewed and Approved by:

Name: MaryAnn Campbell-Smith  
Title: Chief, External Audits  
Date:  
Phone Number: 916-323-7105

  
Signature (Auditor)

Reviewed and Approved by:

Name: Barbara Nolan  
Title: Auditor  
Date: 8/28/08  
Phone Number: 916-323-7880

El Dorado County Transportation Commission  
FY 2008/2009 Indirect Cost Allocation Plan  
Carry Forward Calculation

FISCAL YEAR APPROVED IC RATE	2004/05 20.41%	2005/06 19.92%	2006/07 20.84%	2007/08 21.87%
<b>INDIRECT CARRY FORWARD</b>				
Carry Forward (2nd fiscal year subsequent to current year)	(33,652)	(12,787)	(35,282)	(25,667)
Indirect Costs from Single Audit *	82,467	79,160	120,115	
Total Indirect Costs	48,815	66,373	84,833	
<b>RECOVERED COSTS</b>				
Direct Salaries & Wages + Fringe Benefits (per Single Audit) *	412,039	462,047	522,992	
Approved Indirect Cost Rate	20.41%	19.92%	20.84%	
Total Recovered Indirect Costs	84,097	92,040	108,992	
Total Indirect Costs	48,815	66,373	84,833	
Total Recovered Indirect Costs	(84,097)	(92,040)	(108,992)	
Indirect Carry Forward	(35,282)	(25,667)	(24,159)	

APPROVED IC RATE	2008/2009
(Estimated Indirect Costs / Direct Salary & Wages + Fringe Benefits)	18.36%

Carry Forward (2nd fiscal year subsequent to current year)	(24,159)
Estimated Indirect Costs (from FY 2008/2009 OWP & Budget) **	154,258
Total Estimated Indirect Costs	130,099
Estimated Direct Salary & Wages + Fringe Benefits (from FY 2008/2009 OWP & Budget) ***	708,601
Total Estimated Indirect Costs	130,099
Estimated Direct Salary & Wages + Fringe Benefits ***	708,601
Approved Indirect Cost Rate	18.36%

\* For Fiscal Year 06/07, please refer to performance audit page 28

\*\* Please refer to Fiscal Year 08/09 OWP & Budget page 48. Calculations are found in the column titled Work Element 50, "Indirect".

\*\*\* Please refer to Fiscal Year 08/09 OWP & Budget page 48. This number is the sum of the line items "Salary & Wages" and "Direct Personnel Expenses (Payroll Taxes, Leave, Pension, Health Ins.)."

El Dorado County Transportation Commission  
FY 2008/09 OWP & Budget  
Indirect Cost Allocation Plan

ATTACHMENT 2

	<u>Direct Costs *</u>	<u>Indirect Costs **</u>	<u>Unallowable Costs</u>	<u>Total Budget ***</u>
Direct Salary & Wages	399,644			399,644
Fringe Benefits	<u>308,957</u>			<u>308,957</u>
Total Salary & Wages + Fringe Benefits	708,601	-		708,601
<b>INDIRECT COSTS</b>				
Salary & Wages - Extra Help		5,000		5,000
Communications	520	7,700		8,220
Insurance - Other		2,500		2,500
Maintenance - Equipment	150	8,650		8,800
Professional Memberships & Dues	16,131	1,970		18,101
Office Expense - General		25,000		25,000
Postage & Courier	1,250	1,250		2,500
Professional and Special Services - Accounting		10,000		10,000
Professional and Special Services - Independent Audit	17,200			17,200
Professional and Special Services - Legal	25,000			25,000
Professional and Special Services - Planning/Engineering	490,120			490,120
Professional and Special Services - SACOG	62,979			62,979
Professional and Special Services - Other Agencies				-
Professional Development	10,500	2,400		12,900
Publications & Subscriptions	2,000	1,500		3,500
Rents - Equipment	3,000	3,000		6,000
Rents - Structure		71,288		71,288
Transportation and Travel	9,000			9,000
Commissioner Expenses	<u>7,000</u>			<u>7,000</u>
SUBTOTAL	<u>644,850</u>	<u>140,258</u>		<u>785,108</u>
TOTAL BUDGET	1,353,451	140,258		<u>1,493,709</u>
Depreciation - F&E		10,000		10,000
Amortization - LHI		<u>4,000</u>		<u>4,000</u>
TOTAL INDIRECT COSTS		<u>154,258</u>		

Estimated Rate Including Indirect Carryover:	
Total Indirect Costs	154,258
Indirect Cost Carryforward, from FY 2005/2006	<u>(24,159)</u>
	130,099
Direct Salary & Wages + Fringe Benefits	708,601
	<u>18.36%</u>

\* Please refer to Fiscal Year 08/09 OWP & Budget page 48. Calculations are found in the column titled "Total Direct".

\*\* Please refer to Fiscal Year 08/09 OWP & Budget page 48. Calculations are found in the column titled Work Element 50, "Indirect".

\*\*\* Please refer to Fiscal Year 08/09 OWP & Budget page 48. Calculations are found in the column titled "Total Expenditures".